

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 COME-00

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P 020433Z AUG 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5722

LIMITED OFFICIAL USE MANILA 9207

E.O. 11652: N/A

TAGS: EAGR, RP

SUBJECT: PHILIPPINE COCONUT OIL

REF: A. STATE 166631

B. MANILA 7556

C. MANILA 7106

1. MORNING PRESS AUGUST 1 CARRIES REPORT OF TEMPORARY SUSPENSION BY PRESIDENT MARCOS ON JULY 31 OF EXPORTATION OF ALL COCONUT PRODUCTS. ANNOUNCEMENT STATES EXISTING CONTRACTS WILL BEHONORED. BAN WAS ANNOUNCED AS A MOVE TO THWART INTERNATIONAL SPECULATORS WHOSE "MACHINATIONS" ARE ALLEGED TO HAVE CAUSED AN ABRUPT DECREASE IN COCONUT OIL PRICE FROM 60 TO 50 CTS. PER LB. THE ANNOUNCEMENT STATED THAT WHEN EXPORTS ARE RESUMED, THEY WILL BE REGULATED BY A COCONUT MARKETING BOARD TO BE CREATED BY PRESIDENTIAL DECREE.

2. DUE TO WELL-KNOWN PROSPECTIVE INCREASES IN SUPPLY, IT SEEMS PROBABLY THAT BUYERS ARE DEFERRING PURCHASES TO WATCH THE PRICE TREND, AND THEY ARE OFFERING LESS ON CONTRACTS FOR FUTURE DELIVERY. THIS WOULD BE THE BASIS FOR SO-CALLED "MACHINATIONS". BECAUSE OF DROUGHT, COPRA PRODUCTION IN FIRST HALF

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1974 TOTALED ONLY 567,000 LONG TONS, 40 PERCENT BELOW

952,000 LT OF 1ST HALF 1973. ABNORMALLY LOW SUPPLY HAS PRODUCED ABNORMALLY HIGH PRICES, BUT SECOND HALF 1974 PRODUCTION IS EXPECTED TO INCREASE 90 PERCENT TO ONE MILLION TONS, ABOUT 21 PERCENT HIGHER THAN SECOND HALF 1973. YEAR'S OUTTURN MAY THUS FALL SHORT OF 1973 BY ONLY 10 PERCENT AND WILL EXCEED 1965-1972 AVERAGE BY 7 PERCENT.

3. DESPITE PHILIPPINE NEAR-MONOPOLY IN WORLD COCONUT OIL MARKET, SEEMS UNLIKELY WITH THIS SUPPLY PICTURE AND SUBSTITUTABILITY OF VERGETABLE OILS THAT SLIDE IN PRICES CAN BE LONG REVERSED. HOWEVER, BY ITS INTERVENTION GOVERNMENT LENDS FURTHER CREDENCE TO REPORTS THAT IT INTENDS TO TAKE OVER EXPORT MARKETING OF COCONUT PRODUCTS, LOGS, AND MINERALS IN ADDITION TO SUGAR. EMBASSY HAS CONFIRMED THAT SECRETARY OF TRADE QUIAZON DID INDEED MAKE REMARKS ATTRIBUTED TO HIM IN THIS REGARD(REFTELS B AND C). AS OF NOW, HOWEVER, NO INFORMATION AVAILABLE AS TO WHETHER COCONUT MARKETING BOARD IS INTENDED TO BE GOVERNMENT'S SOLE MARKETING AGENT FOR COCONUT PRODUCTS.

SULLIVAN

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